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Agricultural Management Advisory Groups for Pork Producers

Allen Prosch¹

Summary and Implications

Pork producers face complex management decisions and they need assistance with this complexity. Pork producers need to increase their awareness of the value of intangible assets such as relationships and knowledge. Pork producers must value, employ, and extract value from the use of intangible assets. Agricultural management advisory services assist producers in extracting value from the use of intangible assets such as knowledge. Pork producers need to participate in advisory services. Pork producers can use group efforts to effectively create such services. Advisory services can improve the well being of producers by increasing their knowledge of and ability to deal with external influencers that affect their businesses.

Introduction

The most dramatic changes occurring in agriculture might best be described in terms of changes in the fundamental business proposition and the ways of doing business. A managerial implication is that agricultural managers will need to learn how to appreciate, employ, and extract value from the use of intangible assets.

Critical to understanding this change is the recognition that the concept of assets employed by an operation is more comprehensive than the perspective of resources used in the past. Previously physical and human resources were the primary assets. Now the operation's resources may include intangible assets such as marketing systems, decision-making processes, coordinating systems, and established patterns of production. Production and marketing systems empowered and

continually refreshed by new knowledge gained from the firm's operations can be powerful sources of competitive advantage.

Producer Needs

In the United States, family farmers have traditionally made decisions by themselves with whatever information they might gather. Producers today feel the overload of data as much as any business person. The ability to assimilate all data, turn it into decision making information and acting on that information is difficult. Increasingly, the data needed is outside the normal expertise and reach of producers.

Pork producers represent a group as challenged by the need to extract value from knowledge as any segment of agriculture. Pork production has changed dramatically consolidating into fewer larger units. Pork producers need to increase their knowledge of external influencers that affect businesses. External problems experienced with environmental and social issues do not always have tangible solutions. Producers are pinched by low margins and feel disenfranchised in their industry. Producers leave the industry despite having operations that are cost-effective. They exit the industry for a variety of reasons including production, economic, educational, environmental, and social issues, many of which are intangible.

The skills that create competitive advantage and result in higher reward are changing. Producers need to have trusted resources to improve their information. They need to have greater knowledge of the value of their products. They need to have a better awareness and understanding of what changes to make in their operation. Producers need to be able to create and manage intangible assets such as information and relationships. Producers need to capture more

knowledge out of their operations and capture more knowledge out of the transactions with both input suppliers and output buyers to improve their competitive advantage.

Producers who have a support system that can improve their ability to manage knowledge and extract value from that knowledge are likely to have increased success. Producers need help to accomplish all these activities.

Consulting Services

Pork producers who are already better able to extract value from such knowledge now have a competitive advantage. Those producers may hire consultants or have staff that can deal with these issues. The ability of an individual to obtain accurate, timely advice that is tailored to the individual unit is limited. Private consultants are challenged to provide in depth service while expanding a client base. Limited contact reduces the producer's ability to trust and rely on the advice.

In either case, whether hiring a consultant or hiring staff, the producer with higher volume can obtain a greater degree of individual attention. That individual attention given to extracting value from intangible assets, be that specific knowledge or a relationship, gives producers a new competitive advantage. It increases a businesses' ability to understand and to deal with complex issues.

While U.S. producers have been expected to develop these resources and abilities and implement them on their own, other countries have notable variations. Danish agricultural producers have a producer-owned system that gives farmers advice on technical, economic, educational, information technology, and social issues.

The key issue is whether pork producers would join together to form an entity that would provide advice



that is focused on their individual unit's needs. To do so they would need to work together to spread the cost over sufficient production. In doing so, they would not have to become expert at extracting value from intangible assets, nor would they be required to acquire all the data to make decisions. Together they could gain many of the competitive advantages now being enjoyed by a limited number of producers.

Producers do need to be able to trust and rely on the advisor. The focus needs to be on their unit and the best solutions for their operation. One method to accomplish that would be to create a business entity that hired the specialist needed. This would tend to minimize conflict of interest, avoid time spent on marketing the consulting business and allow the specialist to concentrate on providing high quality service.

Producers identify the highest priority needs and acquire persons with expertise to provide them with service. Items such as customer relations, price risk management, environmental regulatory compliance, zoning regulations and comprehensive nutrient management planning are issues of such complexity and such magnitudes of change that producers would benefit from advice specific to their operation.

Conclusion

Reducing the diversity of type and size of producer threatens the flexibility of the pork production industry. When challenged by new or unusual circumstances to meet societal goals production systems must meet objectives in environment and animal husbandry practices. Pork production must also provide the producers and employees with a livelihood that is satisfactory and that encourages future participation. Increasing the competitive advantage of a larger number of individual producers is important to the future of the industry.

¹Allen Prosch is the Pork Central Coordinator at the University of Nebraska Lincoln. References are available by request from the author.

Case Ready and Enhanced Pork — How Do Ingredients Make Them Work?

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Summary and Implications

Case ready pork products have grown at a tremendous rate since the early, large scale introductions of the mid 1990s. Estimates exceed 9 billion pieces in the near future, up from 500 million in 1997 and 1.2 billion in 2000. Estimates are that between 70-80% of the fresh pork at the supermarkets is now utilizing two technologies in the case-ready status. These two technologies include enhancement and marination. Enhancement is the application of a solution of water, salt and sodium phosphates, usually approximately a 12% solution. Marination expands the solution with flavor and texture profiles involving additional ingredients. The major value-added meat processors of case ready pork products are fresh-meat processors and retailer co-packers and the list continues to grow rapidly. Justification for pork producers, meat processors and consumers are many. These advantages include: better distribution of products or in-stock at retail and less out-of-stock on a 24 hour basis, labor availability at the retail level, less shrink, greater cost savings, and most importantly increased food safety, consumer satisfaction, consistency, tenderness and juiciness.

Introduction

There are several technologies that producers of case ready meats can utilize to improve product consistency and extend shelf life. Consistency is a

goal that all producers strive for regardless of the industry segment. Case-ready pork allows consumers to experience more consistent fresh pork in regards to color, texture, and eating quality. Case-ready meat allows a shelf life of two to five weeks following addition of an enhancement solution and fabrication to retail cuts. This is compared to a five to 12 day shelf life seen with traditional pork cuts fabricated at the retail store and packaged with the conventional shrink wrapped fresh meat packaging. Extending case-ready meats shelf-life allows for improved processing at large, efficient, central fabrication plants close to the source of the pork. With case-ready concepts, only consumer products are shipped through distribution centers for filling of the needs of the local stores. Fat and bone removed have utilization and value maximized at a central location. Extended shelf life may be accomplished with modified atmospheres containing gases such as carbon dioxide, nitrogen and oxygen in different combinations. Marinated or enhanced products can be vacuum packaged to extend refrigerated product sales life. Cases-ready pork also reduces in-store meat cutting, preparation, and packaging which also has a beneficial effect on food safety due to reduced handling and improved temperature control.

Case-Ready Benefits

Case-ready pork will reduce the amount of out-of-stock merchandise in the retail case and increase availability of complete lines of products. Product management and inventory control is

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